

Message Text

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E.O. 11652: N/A

TAGS: ETRD, OECD, UNCTAD

SUBJECT: TCWP MEETING ON COMMODITIES, JAN. 23-24

1. SUMMARY: TCWP HAD WIDE-RANGING AND INTENSIVE EXCHANGE OF VIEWS ON APPROACH OF GROUP B TO ISSUES RAISED BY UNCTAD SECRETARIAT'S INTEGRATED COMMODITIES PROGRAM (IP). AS NOTED IN CHAIRMAN'S SUMMARY AT END OF MEETING, THERE WAS CLEAR CONSENSUS THAT GROUP B SHOULD TAKE POSITIVE ATTITUDE IN GENEVA AND AVOID CONFRONTATION WITH G-77. ALTHOUGH NO VERY DEFINITE IDEA EMERGED AS TO HOW THIS MIGHT BEST BE DONE, VIRTUALLY ALL DELS AGREED: THAT NEGOTIATIONS TIMETABLE PROPOSED IN TD/B/C.1/1 66 WAS UNREALISTIC; THAT NO SUBSTANTIVE COMMITMENTS WERE LIKELY TO BE UNDERTAKEN AT FEBRUARY MEET-
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ING; THAT GOVERNMENTS ARE GENERALLY UNWILLING TO ACCEPT

CONCEPT OF INTEGRATED PROGRAM AT THIS POINT BUT SHOULD BE WILLING TO EXAMINE THE PROPOSAL; THAT GREAT AMOUNT OF FURTHER STUDY AND ANALYSIS OF IP IS NEEDED; THAT WORK WILL HAVE TO PROCEED ON A COMMODITY-BY-COMMODITY BASIS WHEN TIME COMES TO EXAMINE SPECIFIC POLICY PROPOSALS, IF NOT SOONER; AND THAT SMOOTHING OUT WIDE FLUCTUATIONS IN COMMODITY PRICES IS ACCEPTABLE GOAL BUT MAINTENANCE ABOVE LONG-TERM EQUILIBRIUM LEVEL IS NOT. ON WHOLE, GERMANS TOOK MOST DOCTRINAIRE AND HIGHLY NEGATIVE VIEW OF IP, WHILE BELGIANS AND FRENCH WERE CONSIDERABLY MORE FORTHCOMING. SEVERAL DELS--MAINLY NETHERLANDS, BUT ALSO BELGIUM, DENMARK, SWITZERLAND, NORWAY, AND AT TIMES EVEN FRANCE--APPEARED READY TO FACE PROSPECT OF EVENTUALLY NEGOTIATING COMMODITY ISSUES ON BASIS OF IP OR SOME SIMILAR, PERHAPS LESS AMBITIOUS, CONCEPT. END SUMMARY

2. IN OPENING PORTION OF MEETING DELS PRESENTED LATEST INFO ON UNCTAD SECRETARIAT AND G-77 INTENTIONS FOR FEB. MEETING OF COMMODITIES COMMITTEE. GENEVA GROUP B COORDINATOR TEESE (AUSTRALIA) REPORTED GIST OF HIS CONVERSATION WITH COREA PREVIOUS DAY, WHICH INDICATED SECRETARIAT WANTED ABOVE ALL TO CARRY SUBJECT FORWARD, AVOID CONFRONTATION, AND THUS PLAY DOWN INDEXATION. JAPANESE DEL (MIYAKE) SAID HIS TALKS WITH CHIDZERO SHOWED SECRETARIAT FELT LITTLE COULD BE DONE ON INDEXATION PENDING EXPERTS STUDY COMMISSIONED BY UNGA, AND PRIMARY GOAL OF FEB. MEETING WAS ENDORSEMENT OF GENERAL CONCEPT OF INTEGRATED PROGRAM TO SET STAGE FOR FURTHER TECHNICAL STUDY AND ADOPTION OF "GENERAL LINES" BY TDB LATER THIS YEAR. CANADIANS SAID THEIR SOURCES INDICATED SPLIT WITHIN G-77 ON GOALS OF DAKAR MEETING, WITH YUGOSLAVS AND ASIANS FAVORING FOCUS ON COMMODITIES, AND RADICALS FAVORING BROADER COORDINATION OF LDC APPROACH TO IMPLEMENTING "NEW ECONOMIC ORDER."

3. DISCUSSION OF MEMBERS' ATTITUDES TOWARD GENERAL CONCEPT OF IP REVEALED COMMON DESIRE TO BE CONSTRUCTIVE BUT NO CONSENSUS AS TO FEASIBLE WAY TO DO SO. GERMAN DEL (KIPPER) TOOK SOLID NEGATIVE POSITION, SAYING GROUP B WAS BEING ASKED TO BUY A PIG IN A POKE, THE MAIN LIMITED OFFICIAL USE

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OBJECTIVE OF WHICH WAS TO MAINTAIN COMMODITY PRICES AT UNREALISTICALLY HIGH LEVELS. NETHERLANDS AND NORWAY, HOWEVER, URGED GROUP TO ACCEPT INTEGRATED APPROACH CONCEPT OR COME UP WITH SUBSTITUTE FRAMEWORK FOR COMMODITY NEGOTIATIONS. OTHER DELS TENDED TO TAKE INTERMEDIATE POSITIONS, WITH JAPANESE EMPHASIZING INFEASIBILITY OF FINANCING PROPOSALS AND AUSTRALIA/NEW ZEALAND EXPRESSING SYMPATHY FOR PRICE STABILIZATION

GOALS, BUT ADVOCATING COMMODITY-BY-COMMODITY APPROACH.
US DEL TOOK POSITION THAT GROUP SHOULD NOT ENDORSE IP
BUT EXPRESS WILLINGNESS TO STUDY AND EXAMINE IP IDEAS
FOR EACH COMMODITY IN CONSTRUCTIVE AND POSITIVE WAY.
FURTHER WORK, NAMELY EXAMINATION OF PRACTICAL APPLICA-
TION OF IP IDEAS TO SPECIFIC PRODUCTS, SHOULD BE DONE
IN EXISTING COMMODITY GROUPS WHERE COUNTRIES TOOK POSI-
TIONS ON BASIS OF ECONOMIC RATHER THAN POLITICAL
INTERESTS. BELGIUM, SPAIN AND UK EXPRESSED FAVOR FOR
SOME SORT OF IP INVOLVING SMALL NUMBER OF PRODUCTS, AND
SWISS, DANES, AND FRENCH URGED GROUP RECOGNIZE NEED TO

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OFFER PROMISE OF NEGOTIATIONS IF G-77 TO BE SATISFIED. GERMAN DEL VIEWED ACROSS-THE-BOARD APPROACH OF IP AS ESSENTIAL TO G-77 DESIRES (NAMELY TO AVOID INTERNAL ARGUMENTS ABOUT WHICH PRODUCTS TO INCLUDE) AND SAW NO REAL POSSIBILITY OF COMPROMISE ON "MINI IP".

4. IN RESPONSE TO FEELING OF MANY DELS THAT SCOPE FOR AGREEMENT AT FEB. MEETING LAY IN OBJECTIVES OF IP MORE THAN IN PROPOSED MECHANISMS, TCWP WENT OVER PARA 10 OF TD/B/C.1/1 66 IN SOME DETAIL. AUSTRALIANS, SWEDES AND SPANIARDS THOUGHT OBJECTIVES IN THIS PARA WERE ACCEPTABLE BASIS FOR DISCUSSION, AND COMMISSION REP (SALTER) PROPOSED GROUP B FORMULATE COUNTER-RESOLUTION TO WHAT-LIMITED OFFICIAL USE

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EVER COMES OUT OF DAKAR USING PARA 10 AS STARTING POINT. US AND OTHER DELS MADE NUMBER OF SUGGESTIONS FOR CHANGES IN PARA 10 OBJECTIVES. ON OTHER HAND, NETHERLANDS SAID IT COULD ACCEPT AS IS AND FRENCH URGED THEY BE LEFT AS IS IF OPEN TO FAVORABLE INTERPRETATION (RATHER THAN SEEKING TO CHANGE EVERYTHING WHICH COULD BE INTERPRETED UNFAVORABLY). PARAS 10 (B), (C) AND (E), WERE CLEARLY THE MOST CONTROVERSIAL. GERMANS TOOK VIEW THAT ANYTHING ACCEPTABLE TO US WOULD BE UNACCEPTABLE TO G-77, WHILE FRENCH DEL THOUGHT PRESENT LANGUAGE GENERALLY BROAD ENOUGH TO BE ACCEPTABLE TO BOTH SIDES. JAPANESE PROPOSED LOOKING AT PROPOSALS MADE DURING CERDS EXERCISE FOR POSSIBLE COMPROMISE POSITIONS, BUT COMMISSION OBJECTED TO THIS AS SETTING BAD PRECEDENT. COMMISSION ALSO WANTED TO ADD OTHER OBJECTIVES TO LIST TO TAKE INTO ACCOUNT INTERESTS OF LEAST-DEVELOPED COUNTRIES AND SOCIAL GOALS OF COMMODITIES PROGRAMS.

5. WORKING PARTY MEMBERS EXPRESSED FOLLOWING VIEWS DURING POINT-BY-POINT DISCUSSION OF IP:

A. STOCKS AND FINANCING. US DEL EXPRESSED WILLINGNESS TO CONSIDER STOCKS, BUT ON A COMMODITY-BY-COMMODITY BASIS AND IN RELEVANT EXISTING COMMODITY GROUPS. HE ARGUED IT WAS PREMATURE TO CONSIDER MODES OF FINANCING UNTIL MORE WAS DECIDED ABOUT DESIRABILITY OF STOCKS. GERMAN DEL SAW MAIN AIM OF IP PROPOSAL AS ESTABLISHING STOCKS OF EVERYTHING STOCKABLE AND MAKING CONSUMERS PAY FOR SURPLUS PRODUCTION. HE THOUGHT UNCTAD COST ESTIMATES UNREALISTIC AND IDEA OF RUNNING STOCKS ON COMMERCIAL BASIS WOULD PRECLUDE ANY SIGNIFICANT STABILIZING EFFECT. BELGIANS URGED GROUP TO GIVE AS MUCH THOUGHT TO POSSIBLE BENEFITS OF STOCKS AS TO COSTS.

B. MULTILATERAL COMMITMENTS: MOST DELS SAW THIS AS IMPLYING RADICAL CHANGE OF POLICIES WITH RESPECT TO GOVERNMENT INVOLVEMENT IN TRADE, WHICH WOULD NECESSARILY

INVOLVE PRICE FIXING AND MISALLOCATION OF RESOURCES.
FRENCH DEL NOTED THAT IF IT COULD NOT WORK FOR THE
WHEAT TRADE, WHERE IT WAS TRIED SHORTLY AFTER WORLD WAR
II, IT WAS UNLIKELY TO WORK ELSEWHERE.

C. COMPENSATORY FINANCE: EC REFUSED TO COMMENT ON
ACP SCHEME ON BASIS IT WAS SUBJECT OF ON-GOING NEGOTIA-
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TIONS. GERMANS EXPRESSED WHAT WAS APPARENTLY GENERAL
VIEW OF GROUP THAT THIS WAS ESSENTIALLY FINANCIAL MATTER
AND NOT WITHIN COMPETENCE OF COMMODITY GROUPS.

D. PROCESSING AND DIVERSIFICATION. GERMAN DEL
EXPRESSED WILLINGNESS (FOR FIRST TIME IN MEETING) TO
BE POSITIVE ON ELEMENT OF IP. FRENCH ARGUED, HOWEVER,
THAT THIS SUBJECT WAS REALLY MATTER FOR OTHER UNCTAD
COMMITTEES (PREFERENCES AND MANUFACTURERS) AND MTN.

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6. INDEXATION: US REP REQUESTED VIEWS OF OTHER DELS AS TO WHETHER GROUP B APPROACH ON INDEXATION SHOULD STRESS DIFFICULTIES OF IMPLEMENTATION OR BASIC ECONOMIC POLICY OBJECTIONS. GERMANS MADE STRONG PITCH FOR ARGUING THAT BASIC CONCEPT OF INDEXATION WAS ECONOMICALLY DISASTROUS. JAPANESE SUGGESTED GROUP NOT PLAY UP INDEXATION ISSUE UNLESS G-77 DOES. FRENCH SAID GROUP SHOULD NOT BE ENTIRELY NEGATIVE SINCE THERE WAS A REAL NEED TO THINK ABOUT WAYS TO REVISE PRICES IN INTERNATIONAL AGREEMENTS TO TAKE ACCOUNT OF CHANGED SITUATIONS, AND THAT THIS COULD BENEFIT DC'S AND LDC'S ALIKE. CANADIAN DEL PROPOSED GROUP TRY TO CHANNEL FURTHER STUDY OF INDEXA-
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TION TOWARD SEEKING ANSWERS TO POLICY ISSUES SUCH AS IMPACT ON SUPPLY OF AND DEMAND FOR COMMODITIES, REDISTRIBUTION EFFECTS AMONG COUNTRIES, IMPACT ON SYNTHETICS AND PROCESSING, AND IMPACT ON TRADE IN MANUFACTURES AND INTERNATIONAL ADJUSTMENT PROCESS.

7. IN CLOSING INTERVENTION, FRENCH DEL PROPOSED GROUP CONSIDER RANGE OF OPTIONS FOR STRUCTURING FURTHER UNCTAD WORK ON IP BEFORE NAIROBI CONFERENCE IN 1976, INVOLVING PERHAPS ANOTHER MEETING OF COMMODITIES COMMITTEE. US DEL PUT FORWARD IDEA OF COORDINATING COMMITTEE OF GENEVA REPS TO GUIDE FURTHER TECHNICAL WORK IN PLACE OF PREMATURE "PREPARATORY MEETING" PROPOSED IN IP.

8. AT END OF MEETING, EC REP REPORTED THAT EC HAD SCHEDULED MEETING ON FEB. 4TH TO WRAP UP COORDINATED POSITION FOR UNCTAD COMMODITIES COMMITTEE WORK. GROUP B COORDINATOR TEESE PROPOSED MORNING OF FEB. 10 FOR FIRST FULL GROUP B MEETING IN GENEVA.

9. SECRETARIAT INTENDS TO ISSUE WRITTEN SUMMARIES OF MEMBERS VIEWS ON PARA 10 OF TD/B/C.1/166 AS WELL AS LIST OF CONCLUSIONS AND SUGGESTIONS RESULTING FROM JAN. 23-24 TCWP MEETING.
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